



## Memorandum

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DATE: Friday November 2, 2018  
TO: Interested Stakeholders  
FROM: Climate Change Research Program Staff  
RE: **Amendment #1: 2018-2019 Round 2 Solicitation**

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### **Purpose:**

This memorandum provides information regarding a change in requirements for including equipment purchases as part of the Climate Change Research Program's Round 2 Solicitation application. This amendment eliminates the \$50,000 budget limit for equipment purchases, and all requirements regarding state ownership are removed. Submissions are still required to include budget justification for any equipment or material purchases included in the proposal budget.

### **Clarification:**

The Strategic Growth Council (SGC) received significant feedback from interested stakeholders regarding the \$50,000 limit on equipment purchases that was outlined in the Research Program's Round 2 Solicitation, Section IV C (page 9).

Based upon this feedback, SGC staff better understands the difficulty in developing projects using only the "supplies" budget category to procure the necessary materials for technology development. Specific materials that are categorized as "equipment" during the procurement process can be just as important for technology development, and it is not always clear when a component or part of a system is considered material vs. equipment.

As a result, SGC staff have decided to remove the \$50,000 budget limit on equipment. There is no longer any limit in the Round 2 Solicitation regarding the amount of equipment allowed in the proposed grant budget; however, applicants still must provide detailed budget justification for any equipment purchases included in the proposal budget.

The SGC is also including language in this amendment that identifies a Grant Recipient as the owner of any equipment purchased in the budget. The recipient will be responsible for management and disposal of any purchased equipment and will agree to continue to use the equipment for research purposes after the grant term, or reimburse the SGC for the residual value of the equipment.

### **Amended Equipment Language:**

The following information provides specific information to guide applicants on how to include equipment in a proposed budget:

Definition: Equipment is defined as a tangible item purchased under the agreement that has a useful life of at least one year and a unit acquisition cost of at least \$5,000.

Ownership: Title to equipment acquired by the Grant Recipient with grant funds will vest in the Recipient. The Recipient may use the equipment in the project or program for which it was acquired as long as needed, regardless of whether the project or program continues to be

supported by grant funds. However, the Recipient may not sell, lease, or encumber the property (i.e., place a legal burden on the property such as a lien) during the Agreement term without the SGC's Agreement Manager's prior written approval.

Upon completion or termination of the Agreement, the Recipient agrees that continued use of the equipment will be limited to further project goals and research objectives, or the Recipient will reimburse the State for the equipment's value in an amount that does not exceed its residual value as of the Agreement's end date.

Management/Inventory:

1. Recipient shall maintain property records for equipment acquired in whole or in part with grant funds that include a description of the equipment, a serial or identification number, the source of the equipment, how title is vested, the acquisition date, purchase price of the equipment, percentage of the SGC participation in the cost of the equipment, the location, use and condition of the equipment, and any ultimate disposition date including the date of disposal and sale price of the equipment.
2. Recipient shall take a physical inventory of the equipment and reconcile the results with the equipment records at least once every two years and as part of the final report, or final invoice if there is no final report.
3. Recipient shall develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the equipment.
4. If Recipient insures equipment purchased with its own funds, the Recipient shall insure similarly valued equipment acquired with grant funds for an equivalent amount.

Invoicing:

1. Invoices must be accompanied by receipts and other applicable back-up documentation for all equipment expenditures. Purchase orders are not acceptable documentation for expenditures.
2. The Recipient shall only invoice the SGC for Incurred Expenses that the Recipient has paid for prior to invoicing the SGC. For example, assume the Recipient has an Incurred Cost for a piece of equipment that costs \$300,000 and will pay in three installments of \$100,000 over a three-month period. The Recipient shall only invoice the SGC for the paid portion of the equipment. The Recipient shall not invoice for the entire \$300,000 and retain the balance.

Disposition: On completion or termination of the Agreement, the Recipient may:

1. Continue use of the purchased equipment for the purposes of the Agreement project or program, subject to the written approval of the SGC;
2. Replace the equipment with an item that is needed currently for the project by trading in or selling to offset the costs of the replacement equipment, subject to the written approval of the SGC;

3. Retain title, without further obligation to the SGC, by compensating the SGC for the percentage of the current fair market value of the equipment that is attributable to the SGCs participation in the project. The SGC's percentage is determined by the following formula: *(SGC Funds used to purchase the equipment **divided by** the original Purchase Price)*; or
4. Request disposition instructions from the SGC if Recipient does not elect to retain title or use the equipment to offset replacement equipment.